

2005/2006 Tariff Proposal

Presentation to the Transportation Commission

Ray Deardorf

Planning Director
Washington State Ferries

Alice Tawresey

Chair
Tariff Policy Committee

W. Michael Anderson

Acting Assistant Secretary, Executive Director
Washington State Ferries

Sam Kuntz

Chief Financial Officer
Washington State Ferries

Douglas B. MacDonald

Secretary of Transportation

January 2005



**Washington State
Department of Transportation**

Presentation Overview

- Tariff proposal for 2005/2006 implementation
 - General fare increase
 - New Frequent User Policies and Fare Media
 - Youth Discount Changes
 - Changes to Passes
 - Anacortes-Sidney Overheight Promotional Fares
 - Tollbooth Surcharges for Multi-ride Products
 - New Commercial Account Program Language
- Public involvement plan
- Implementation schedule

General Fare Increase and Tariff Route Equity (TRE)

- Continue financial plan with a 5% general fare increase effective May 1, 2005.
- Continue Tariff Route Equity (TRE) implementation:
 - Anacortes – Friday Harbor increase 5% more than general fare increase (TRE reached in May 2005).
 - Interisland route increase 5% more than general fare increase (TRE reached in May 2009).
- Fare adjustments will be effective May 1st, rather than the first Sunday of May to bring WSF in alignment with the Regional Fare Coordination System (RFCS).

Frequent User Discounts

- According to RCW 47.60.326, among the factors that the Department may consider in setting fare policy is the “desire for reasonable commutation rates.”
- Due to computer system and terminal limitations, the Frequent User coupon books have been a very crude mechanism to provide a discount for high frequency users.
- The current policy generally provides a 20% discount if a customer makes 10 round trips in 90 days. The effective discount is higher in the peak season, since coupon books are exempt from the 25% peak season surcharge.
- In keeping with the philosophy of providing the best discounts to the most frequent users, the Tariff Policy Committee proposes to replace coupon books with two products:
 - A commuter product: 10 round trips in 30 days for a 20% discount.
 - Convenience product: 5 round trips in 60 days for a 10% discount.

Proposed Frequent User Policies

COMMUTER	CURRENT			PROPOSED					
	DISCOUNT	ROUND TRIPS	DAYS	COMMUTER			CONVENIENCE		
				DISCOUNT	ROUND TRIPS	DAYS	DISCOUNT 2005 2006	ROUND TRIPS	DAYS
Car & Driver	20%	10	90	20%	10	30	15% 10%	5	60
Motorcycle	20%	10	90	20%	10	30	15% 10%	5	60
Passengers	20%	10	90	20%	10	30	15% 10%	5	60

SAN JUANS									
Car & Driver	25%	5	90	25%	5	30	15%	5	90
Motorcycle	25%	5	90	25%	5	30	15%	5	90
Passengers	35%	10	90	35%	10	30	25%	5	60

INTERISLAND									
Car & Driver	20%	5	90	20%	5	30	10%	5	90
Motorcycle	20%	5	90	20%	5	30	10%	5	90
Passengers	FREE			FREE			FREE		

Youth Discount Changes

- The TPC is recommending that the youth age range change from 5-18 to 6-18.
- Currently, children ages four and younger are carried free, while those who are 5 through 18 receive a 20% discount.
- This change will allow 5 year-olds to travel free, and those 6-18 will receive the discount.
- This will align WSF policies with the regional policy and the majority of transit agencies whose age categories begin at age 6.

Changes to Passenger Passes

- Currently WSF offers monthly, quarterly, and annual passes for passenger travel on all routes except Anacortes/San Juan Islands/Sidney.
- Quarterly and annual passes will become redundant with the implementation of SmartCard. SmartCard will approximate these passes through an automated “reload” program.
- The Regional Joint Policy Board has recommended the elimination of regional annual and 3-month passes by all transit agencies participating in the Regional Fare Coordination System (RFCS).
- The TPC recommends elimination of the quarterly and annual passes to allow alignment with the region in accordance with the RFCS and to provide increased simplicity for WSF’s customers.

Anacortes-Sidney Promotional Fare

- Anacortes to Sidney and Islands to Sidney runs are excluded from TRE based on the fact that these routes are almost exclusively for tourism.
- International route fare changes are therefore made based on market conditions.
- The TPC is recommending a promotional fare for buses and oversize recreational vehicles to bring those fares more in alignment with the market and to increase traffic on those runs.
- Comparison of current 40-foot vehicle fares on WSF and competing routes:
 - WSF – \$233.75
 - BC Ferries – \$102.82 (in US dollars)
 - Blackball -- \$96.00
- The new promotional fare will eliminate the overheight charge for non-commercial vehicles and buses, effectively cutting the fare for these vehicles in half.

Tollbooth Surcharges

- WSF would like to encourage customers to use the new electronic system to minimize cash transactions at the tollbooth and to take advantage of the automated features of the new system. This would also help ease congestion at the tollbooths.
- Beginning on May 1, **2006**, all multi-ride products that are available at kiosks and online will be priced 5% higher (and then rounded) when purchased at the tollbooth. This surcharge will not be added until 2006 in order to allow customers time to become familiar and comfortable with the new system.

Commercial Accounts

- Given the complexities of designing a one-size-fits-all commercial discount/incentive program, the TPC recommends adding the following language to the WAC as general guidance for a flexible commercial account program:
 - **Commercial accounts** – continue the 10% discount on commercial accounts that use the system for 12 or more one-way trips per week until implementation of EFS in fall 2005, at which time WSF would switch to a more flexible commercial account program that would be available to licensed businesses, non-profit organizations and agencies in accordance with WSF business rules. A general account will be pre-paid and be offered priority loading where possible, electronic account information, and access to special promotions or earned benefits such as volume discounts based on travel, volume discounts based on revenue, discounts based on growth in business with WSF, or others in accordance with the business rules of WSF. In addition, certain accounts may be offered as charge accounts where customers meet WSF guidelines for such accounts.

Fare Increases Beyond May 2005

- The TPC discussed at length the potential for further fare increases beyond May 1, 2005, in particular the options of:
 - A 10% fuel surcharge to be enacted in October 2005.
 - Another 5% general fare increase to be enacted on May 1, 2006.
- At the guidance of the two legislative members present at the last Tariff Policy Committee meeting, the Committee did not recommend further fare increases at this time. This will give the legislature a chance to address both of these issues during the current session.
- By not incorporating the second 5% increase in May 2006, WSF would forego approximately \$4.9 million in farebox revenue in FY 2007. Continuing a policy of no fare increases would result in a cumulative loss of \$150 million in farebox revenue by 2015 in comparison with 5% increases each year through 2009 and yearly inflationary increases thereafter as identified in the Commission's financial plan as submitted with the 2005-2007 budget to the Governor.

Fare Increases Beyond May 2005 (cont.)

- In the event that the Legislature does not provide new ferry funding, then it would still be possible to implement additional increases as follows:
 - A fuel surcharge could be implemented in October 2005 if the Commission initiated the WAC process by May 2005.
 - To implement a May 1, 2006 general fare increase the Commission would need to initiate the WAC process by December 2005.

Public Involvement

- Brochure distributed on vessels and at terminals.
- WSF website will have “Tariff Proposal” link to tariff information.
- Information agent and ticket seller briefings and materials.
- Media information packets.
- Public meetings in various ferry communities:
 - South Sound: Vashon Island, Southworth
 - Central Sound: Bremerton, Bainbridge, Kingston
 - North Sound: Freeland, Port Townsend
 - San Juan Islands: Lopez, Orcas & Friday Harbor
 - Anacortes
 - Downtown Seattle

Timeline for Tariff Adoption

- Assuming Commission approval, proposed implementation schedule is:
 - File CR102 -- no later than February 16th, 2005
 - Public comment period -- January 18 – Mid-March
 - Public meetings – February and Early March
 - TPC meets to consider public input -- mid-March
 - Commission Hearing (tentative date) – week of March 21, 2005 (in Seattle)
 - File CR103 – no later than March 31, 2005
 - Tariff changes take effect -- May 1, 2005 and May 1, 2006